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UNCLAS HARARE 000805

SIPDIS

SENSITIVE

STATE FOR AF/S
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER
USDOC FOR 2037 DIEMOND
PASS USTR FLORIZELLE LISER
TREASURY FOR ED BARBER AND C WILKINSON
STATE PASS USAID FOR MARJORIE COPSON

1E. O. 12958: N/A
TAGS: ETRD ECON EINV ZI
SUBJECT: GOZ Still Distrusts Exporters

11. (SBU) Summary: The GOZ believes most export firms shelter earnings, depriving the country of hard currency to import energy, fuel and other necessities. In response, the GOZ has erected counterproductive export obstacles. End Summary.

12. (U) An April 25 article in the GOZ-run Herald began: "The current energy crisis which threatens to cripple industrial production can be overcome if exporters repatriate all foreign currency to the Reserve Bank." We have no doubt many exporters conceal earnings off-shore to evade the GOZ's harsh exchange requirements. This is part of a broad migration toward the informal economy, assisted by politically-connected indigenous banks. (An exporter once told us: "I used to worry about exchange requirements. Then I discovered indigenous banks.") By blaming exporters for low treasury receipts, however, the GOZ ignores the free-falling economy's far more substantial impact.

13. (SBU) Worse still, the Reserve Bank's severe approach discourages law-abiding exporters. Zimbabwe Spinners and Weavers' Executive Secretary told us the Reserve Bank treated him so harshly that his firm has reduced monthly fabric shipments to Europe from 50 to 2 containers. The Reserve Bank insists exporters remit revenue within 90 days of shipment. But our interlocutor said standard practice is that European textile importers take 5-6 weeks after delivery to settle accounts. When he petitioned for an elongated 180-day period, the Reserve Bank rebuked him for hiding earnings. As a consequence, the company now focuses on the less lucrative South African market with shorter shipping durations.

14. (SBU) Comment: This is but one example of the GOZ's deep-seated suspicion of private sector integrity. As usual, the GOZ does not distinguish between profiting and profiteering. An anti-capitalist reflex also causes it to ignore private sector pleas that many controlled prices are below production cost. In the case of exports, the GOZ self-destructively enforces draconian disincentives at a time when most developing countries offer subsidies and other incentives. In short, government ministers who still address each other as "comrades" have drawn few lessons from the failure of command economies around the world.

Sullivan